

## Message Text

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PAGE 01 CARACA 06413 271743Z

ACTION ARA-14

INFO OCT-01 ISO-00 EB-07 /022 W

-----100937 271918Z /45

R 271401Z JUN 77

FM AMEMBASSY CARACAS

TO USDOC WASHDC

INFO SECSTATE WASHDC 8194

UNCLAS CARACAS 6413

PASS TO OED/MEPD-PHILBRICK AND OIM/BREWER

E.O. 11652: N/A

TAGS: BENC, VE

SUBJ: MAJOR PROJECT: PREFAB HOUSING: VENEZUELAN GOV FINANCIAL  
INCENTIVES FOR LOW COST HOUSING

REF: CARACAS A-23

1. IN ORDER TO RELIEVE CURRENT SHORTAGE OF LOW COST ("INTERES SOCIAL") HOUSING, VENEZUELAN GOVERNMENT HAS PASSED A NUMBER OF LAWS THAT PROVIDE FINANCIAL INCENTIVES TO STIMULATE INVESTMENT IN THIS SECTOR. MAIN FEATURES OF THIS PROGRAM (GACETA OFICIAL NO. 1.874 EXTRAORDINARIA) ARE (1) GOVERNMENT FINANCING AT LOW INTEREST RATES (8.75 TO 9.25PERCENT ANNUALLY) OVER 15-25 YEAR PERIOD ON 80PERCENT LAND ACQUISITION COSTS, 100 PERCENT OF CONSTRUCTION COSTS, AND 100 PERCENT OF LAND AND URBAN DEVELOPMENT COSTS.

(2) PROFITS ON HOME SALES ARE TAX-FREE IF THEY DO NOT EXCEED 15PERCENT OF SELLING PRICE (WITH ADDITIONAL 15PERCENT ALLOWED FOR BUILDERS AND LAND VALUE PROFIT).

(3) GOV (INAVI) WILL BUY ALL UNSOLD UNITS FROM PROJECT PROMOTER AFTER 24 MONTHS HAVE ELAPSED SINCE CONSTRUCTION AT 95PERCENT OF ORIGINAL SELLING PRICE.

2. THIS PROGRAM IS A RELATIVE DISINCENTIVE TO BUY FOREIGN

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PAGE 02 CARACA 06413 271743Z

PREFAB HOUSING STRUCTURES DUE TO STIPULATION THAT FINANCING FOR LAND AND CONSTRUCTION WILL BE PROVIDED ONLY FOR DOMESTICALLY PRODUCED HOUSING PROJECTS. THEREFORE, VENEZUELAN FIRMS BUYING U.S. PREFAB STRUCTURES ARE LIMITED TO FINANCING FROM TIME CONSTRUCTION IS COMPLETED (AT THIS TIME, LOCAL PROMOTER BECOMES ELIGIBLE FOR TAX BENEFITS AND SALES GURANTEE). 80PERCENT OF TOTAL PROJECT COST MUST THEREFORE BE TEMPORARILY FINANCED

THROUGH ALTERNATE MEANS.

3. IN VIEW OF THE ABOVE U.S. FIRMS MAY FURTHER WISH TO CONSIDER THE POSSIBILITY OF LOCAL MANUFACTURE OF PREFAB UNITS THROUGH JOINT VENTURES AND LICENSING AGREEMENTS.

4. ACTION REQUEST: EMBASSY REQUESTS USDOC ASSISTANCE IN DETERMINING IF, IN GENERAL TERMS, EXIMBANK WOULD BE WILLING TO CONSIDER RENDERING ASSISTANCE IN FINANCING "FRONT-END" COSTS OF U.S. PREFAB MANUFACTURERS.  
VAKY

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## Message Attributes

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